



**FINANCE AND FACILITIES COMMITTEE  
MARCH 17, 2015  
12:30 P.M.**

**MCCORMICK ROOM  
30 7TH STREET EAST  
SAINT PAUL, MN**

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**Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.**

- (1) **Minutes of January 28, 2015 (pp. 1 – 7)**
- (2) **Proposed Amendment to Policy 7.1 Finance and Administrative Authority of Board, Chancellor and Presidents (Second Reading) (pp. 8 – 11)**
- (3) **Metropolitan State University WebWOC Contract Exceeding \$1 Million**  
*(WebWOC is an online nursing program in wound, ostomy and continence care) (pp. 12 – 14 )*
- (4) **Online Support Center Contract Exceeding \$1 Million (pp. 15 – 17)**
- (5) **Smarthinking Contract Exceeding \$1 Million (pp. 18 – 19)**
- (6) **ITS Management Contract Exceeding \$1 Million (pp. 20 – 22)**
- (7) **Bemidji State University Property Management Contract Exceeding \$1 Million (pp. 23 – 27)**
- (8) **Winona State University Building Gift (pp. 28 – 38)**
- (9) **Rental Agreement with University of Minnesota Exceeding \$1 Million (pp. 39 – 40)**
- (10) **System Financial Resiliency Framework (pp. 41 – 48)**

Committee Members

Michael Vekich, Chair  
Jay Cowles, Vice Chair  
Duane Benson  
Phil Krinkie  
Maleah Otterson  
Erma Vizenor

**Bolded** items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD OF TRUSTEES**

**FINANCE AND FACILITIES COMMITTEE**

**MEETING MINUTES**

**January 28, 2015**

*Finance and Facilities Committee Members Present: Chair Michael Vekich, and Trustees Jay Cowles, Duane Benson, Philip Krinkie, Maleah Otterson, Erma Vizenor*

*Other Board Members Present: Trustees Margaret Anderson Kelliher, Kelly Charpentier-Berg, Alexander Cirillo, Dawn Erlandson, Robert Hoffman, Thomas Renier, and Louise Sundin*

*Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, President Richard Hanson, and President Douglas Allen*

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on January 28, 2015, 4<sup>th</sup> Floor, McCormick Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Vekich called the meeting to order at 10:00 a.m.

**1. Minutes of November 18, 2014**

The minutes of the November 18, 2014 Finance and Facilities Committee were approved as written.

**2. Finance and Facilities Update**

Vice Chancellor King reported that Governor Dayton's recommended operating budget was released. Governor Dayton declined to recommend new funding for Minnesota State Colleges and Universities (MnSCU) until after the February forecast has been released. Vice Chancellor King reiterated MnSCU's commitment to work with board members, legislators and the colleges and universities, to communicate the importance of MnSCU's work and to keep this committee informed. Vice Chancellor King mentioned the previous week's House overview of the system at Saint Paul College and the overview of the 2015 Board-approved Capital Investment request and said they were well received. A review of the budget request in the House will take place in February.

The June to December Capital Investment Program report was recently sent to all trustees by U.S. mail. Vice Chancellor King inquired if trustees would be amenable to viewing these reports exclusively online going forward. Trustees indicated agreement with this approach. Staff will send out a note when the next report is posted and available for viewing. The report can be found at [www.finance.mnscu.edu/facilities/design-construction/cip](http://www.finance.mnscu.edu/facilities/design-construction/cip).

Vice Chancellor King reported Minnesota Management and Budget (MMB) has not undertaken any borrowing from MnSCU currently. At the midpoint of the fiscal year, MMB seems to be in a good cash position.

At this time the system is past the midpoint of peak work for spring enrollment and financial aid processing. The campuses continue to perform well in response to the process changes imposed upon them after the state was required to alter its process.

A week into spring term, enrollment is down 3.9% overall compared to last year, 4.3% at colleges and 3.3% at universities. The fiscal 2015 budget anticipated a 1.6% decline and was updated in early fall of 2014 to a projected 3.7%. Chair Renier asked about the range of enrollment decline. Vice Chancellor King reported that the range was quite wide with colleges experiencing greater losses than universities. There is high awareness of the issue, and a full report will be presented in March.

In light of the declining enrollment, campuses are adjusting budgets accordingly. Revised budgets are coming in and all strategies being used to balance budgets will be discussed at the March board meeting. Chancellor Rosenstone commented that declining enrollment is a function of two factors: demographic shifts and economics. Dropping unemployment rates means that fewer students are enrolling, reflecting a cyclical ebb and flow. The current decline in high school graduates is also a factor.

Trustee Benson commented that employers have a greater need for educated people and reiterated that it's an opportunity to present a case for the support of higher education. Trustee Cowles asked if similar trends can be seen in enrollment for for-profit and private colleges and if the competitive share is being lost. Chancellor Rosenstone remarked that private colleges are experiencing similar declines and this time last year, state colleges' declines were on par with for-profit schools.

- 3. Proposed Amendments to Policy 7.3 Financial Administration (second reading)**
- 4. Proposed Amendments to Policy 7.5 Financial Institutions and Investments (second reading)**

Vice Chancellor King presented the proposed amendments to Policy 7.3 and 7.5 (second readings) and recommends them as non-controversial. Trustee Benson moved that the Finance and Facilities Committee adopt the amendments as proposed. Trustee Cowles seconded the motion. The motion prevailed.

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

**RECOMMENDED COMMITTEE ACTION:**

The Board of Trustees approves the proposed amendments to Board Policy 7.3 Financial Administration and Board Policy 7.5 Financial Institutions and Investments.

- 5. Minnesota State University, Mankato Approval for Guaranteed Energy Savings Program Contract Exceeding \$1 Million**

Vice Chancellor King presented the request for a contract approval for Minnesota State University, Mankato for participation in a guaranteed energy savings program. Associate Vice Chancellor Brian Yolitz (accompanied by Ron Fields, Facilities Director at MSU, Mankato) presented the guaranteed energy saving contract as an opportunity to leverage savings that

occur through investment in infrastructure and to pay for upgrades over time, apart from the constrained flow of Higher Education Asset Preservation and Replacement (HEAPR) funds.

Project goals include reduction of the backlog of projects that are reliant on HEAPR funds, and to aid in the reduction of the university's carbon footprint. Terms of the contract reflect a project cost of approximately \$12 million, involving 40 buildings, with the goal of improving lighting, implementing water conservation measures, boiler enhancements and controls. A 15-year repayment package is being considered that includes equipment to construction ratio of 70/30. Key characteristics include 3<sup>rd</sup>-party guaranteed savings and zero out-of-pocket expense for the university. These programs are supported by Governor Dayton's executive order 11-2 that calls for a 20% reduction in energy consumption by state facilities.

Trustee Krinkie raised concern over the 15-25 year payback terms. Mr. Yolitz remarked that the 15-year payback term represented an average of differing terms of both minor and major components. Trustee Krinkie expressed concern about future developments in energy conservation making the planned upgrades obsolete and with the proposed contract amount. Trustee Krinkie moved to change the proposal amount from \$12 million to an amount not to exceed \$10 million. The motion failed due to a lack of second.

Trustee Otterson asked what effect not having the full amount would have on the project. Mr. Yolitz replied that it would limit negotiating options. Mr. Yolitz responded to Trustee Krinkie's concern in reference to similar projects within local school districts and reported that other MnSCU schools are contemplating similar plans.

Trustee Otterson asked about the impact on tuition and fees for the campus and if the savings from renovation efforts will be passed on to students. Yolitz said that saving would go back into university infrastructure (and subsequently benefit students).

The chair entertained the motion, Trustee Benson moved that the Finance and Facilities Committee recommends adoption of the motion. Trustee Otterson seconded the motion. The motion prevailed with Trustee Krinkie voting in dissent.

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

**RECOMMENDED COMMITTEE ACTION:**

The Board authorizes the chancellor or his designee to enter into a Guaranteed Energy Savings contract not to exceed \$12 million for purposes of improving campus energy efficiency, reduction of carbon emissions and reduction in deferred maintenance at Minnesota State University Mankato.

**6. St. Cloud Technical and Community College Approval for Building Renovation Contract Exceeding \$1 Million**

Mr. Yolitz acknowledged Joyce Helens, President of St. Cloud Technical and Community College (SCTCC), who was present at the Capital Bonding Presentation on January 27, 2015 and Lori Kloos, the Vice President of Finance/Chief Financial Officer. This project is follow-

through on a property acquisition approved by the Board in 2012 and acquired in 2013. The college plans to renovate 14,000 sq. ft. of the first floor for a digital commons and a library space. Cost is estimated at \$2 million dollars.

Trustee Otterson asked about the student consultation process and why a letter of recommendation from the student body was not included in the proposal. Mr. Yolitz referenced the standard practice of dialogue with students on design projects and stated that due to the level of student participation in the process a letter was not sought. Trustee Hoffman expressed enthusiasm for this initiative on the St. Cloud campus. Trustee Sundin clarified that a “digital commons” refers to a library.

Trustee Benson moved that the Finance and Facilities Committee recommends adoption of the motion. Trustee Cowles seconded the motion. The motion prevailed.

**RECOMMENDED COMMITTEE ACTION:**

The Board of Trustees authorizes the chancellor or designee to execute a construction contract not to exceed \$2 million for purposes of the Digital Commons renovation located at 1520 Whitney Court, St. Cloud, MN.

**7. Minnesota State College Moorhead Approval for Athletic Field Improvement Contract Exceeding \$1 Million**

Mr. Yolitz described the Athletic Field Improvement project at Minnesota State University Moorhead, with costs totaling \$1.9 million; \$1 million came from a gift by Scheels Sports, and the balance of \$900,000 comes from campus funds for turf replacement and light replacement. Trustee Benson asked why, with expected ticket sales, a revenue fund project is not contemplated. Mr. Yolitz stated that, as a multi-use and inter-mural facility, ticket revenue would not be sufficient to cover the cost of renovation. Trustee Otterson moved that the Finance and Facilities Committee recommends adoption of the motion. Trustee Cowles seconded the motion. The motion prevailed.

**RECOMMENDED COMMITTEE ACTION:**

The Board authorizes the chancellor or his designee to enter into a construction contract not to exceed \$2 million for purposes of replacing of Minnesota State University Moorhead’s athletic field lighting and artificial turf on the newly renamed Scheel’s Field.

**8. Proposed Amendment to Policy 7.1 Finance and Administrative Authority of Board, Chancellor and Presidents (First Reading)**

Vice Chancellor King presented the proposed amendments that emerged from the periodic review process. The amendments are non-controversial changes, fixing language and references and conforming to system style guidelines. There were no questions from Trustees.

**9. 2013 and 2014 Audited Financial Statements Review**

Chair Vekich recommended that item #9 be limited to an overview and a more in-depth examination be done during March’s board meeting.

Vice Chancellor King introduced President Hanson, President Allen, and Denise Kirkeby, Director of Financial Reporting, who assisted in presenting the 2013 and 2014 Audited Financial Statements Review. The information presented included the audited financial statements as a walkthrough of fiscal 2014 activity, comments about performance, financial index results, monitoring protocols, and an outlook for fiscal 2015.

In November, the audit committee was presented with the system statements, the statements of the four universities and the revenue funds and in all instances, the auditors issued clean opinions with no weaknesses or deficiencies, signifying at the material level the information in the financial statements is reliable and dependable. The four university audits, part of the board's new audit program as of fiscal 2014, represent about 26% of the system's revenue and expenses. The revenue funds represent 6% of the system's expenses and is not a material part of the overall financial activity of the system. At each level, assurance was provided that the results were reliable.

Revenues declined from 2013 to 2014, with tightening of controls and slightly negative college and university budgets. System and college and university reserves are stable though thinly funded. Budget stress emerges in composite calculations and in operating losses and strategies are being implemented to strengthen the outlook and add stability. Chair Vekich asked about the downward trend and from President Hanson's perspective what could mitigate these circumstances. President Hanson said that Bemidji State University could not be described as "nimble" financially and reiterated that it is difficult to make changes quickly in comparison to public/for-profit schools.

Chancellor Rosenstone pointed out the rapid drop in unemployment last year which impacted enrollment, labor contracts which must be respected, and the operating inertia of physical plants which makes a quick response problematic. Chancellor Rosenstone praised the college and university presidents for their efforts to balance budgets but acknowledged the need for more nimbleness and better forecasting.

Trustee Krinkie asked about a scenario in which a school has no cash reserves. Vice Chancellor King responded that no institutions within the system have zero funds in reserve nor are any institutions facing that scenario. The finance department's oversight of system college and universities is a defense against such a situation. Trustee Krinkie reiterated his question about how a failing institution would be engaged. Vice Chancellor King explained that, on occasion, system reserves have been used to stabilize a school experiencing a negative cash flow issue. When faced with such an issue, the chancellor's management team engages in discussions and brings recommendations to the board concerning an institution's financial outlook. Chancellor Rosenstone added that he remains in conference with Vice Chancellor King and college presidents when certain negative financial thresholds are reached. Annual performance reviews and other early warning systems are tools that maintain direct accountability back to the chancellor's office.

Vice Chancellor King spoke about the fiscal 2015 outlook and said the campuses are working to manage their revenue and expense profiles. There is some indication that colleges are making tough decisions in order to have positive margins in 2015, but not without a struggle,

and emphasized the importance of the schools thin but stable reserves. The campuses continue to work on new initiatives, program developments, student success initiatives, and recruitment strategies. Chancellor Rosenstone added that a long term financial plan with the support and collaboration of the Governor's office is critical to assemble a package of revenue to meet projected costs.

Trustee Krinkie asked that Vice Chancellor King share updates on the eight colleges and three universities under special review. Chair Vekich reported that the findings would be presented at a later date. Trustee Krinkie commented on the importance of enrollment figures and asked what can be done to deal with the decline. Chancellor Rosenstone spoke about new recruitment strategies and working with the Department of Education to build the "pipeline" from pre-collegiate education and working on better branding which will be discussed at the board meeting in March.

Trustee Sundin expressed interest in the report and voiced a hope that it would contain discussion about 10<sup>th</sup> grade technical class opportunities under Postsecondary Enrollment Options (PSEO) that would provide alternative options for students. Chancellor Rosenstone described the threads pertaining to the conversation: one of pathway and one concerning branding/marketing element.

Trustee Benson emphasized the importance of collaboration in terms of the "pipeline" and asked what efforts were being undertaken to collaborate with potential employers. Chancellor Rosenstone listed workforce alignment work with the Minnesota Chamber of Commerce and with the Itasca Project, where pilot studies were conducted in the summer 2014 with the participation of 20 MnSCU schools and 90 companies around the state and high school guidance counselors. Chancellor Rosenstone cited the expected increase in retirees will affect the job market and that MnSCU is working to anticipate and solve potential future problems. Chair Vekich asked about the possibility of hiring a demographer to model the potential demographic shifts anticipated. Chancellor Rosenstone said this was being considered and mentioned the necessity to focus on students of color and Pell-eligible students as the future of education in Minnesota.

Chair Vekich suggested the discussion over the resiliency framework be continued at March's board meeting. He invited any remaining comments from the trustees. Trustee Hofmann agreed with delaying the framework discussion and confirmed the need for a focus on minority students.

Trustee Erlandson agreed with the need to tell our story, especially as related to the annual funding request. Trustee Benson suggested that a focus should be on building relationships with local employers. Trustee Otterson referenced the North Star Summit and its assertion that we "can't afford to not use every person to stay sustainable." Trustee Cowles suggested focusing on attracting students while matching them with opportunities and on retention. He urged that data be collected concerning college attendance and career options and provided to high school students in the early stages of charting their post-secondary academic career. Trustee Ristau seconded the notion of focusing on local partnerships with businesses. Trustee Vizenor proposed an emphasis on students of color and inquired about tuition waivers for

American Indian students. Trustee Sundin agreed with the importance of tuition waivers, citing education as the “pathway out of poverty.” Trustee Krinkie argued for fiduciary responsibility and the importance of reaching students early about their post-secondary options. Chair Renier emphasized the importance of outlining career opportunities available to potential students.

Chair Vekich invited Presidents Allen and Hanson to comment. President Allen commented on the rapid change in demands in the workforce and the need to maintain flexibility and foresight. President Hanson commented on the human equation, i.e. issues of loyalty and commitment and that effective leadership is a result of being receptive to student concerns.

**10. System Financial Resiliency Framework – moved to March meeting**

**11. Adjournment**

Chair Vekich brought the meeting to a close.  
The meeting was adjourned at 12:10 p.m.

Respectfully submitted,  
Aaron Coker, Recorder



**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** Proposed Amendments to Policy 7.1 Finance and Administrative Authority of Board, Chancellor and Presidents (Second Reading)

**Purpose (check one):**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance  | <input type="checkbox"/> Information                        |   |

**Brief Description:**

Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies. Staff reviewed Policy 7.1 this fall and proposed some revisions. The revisions were reviewed by the Office of General Counsel, cabinet, then sent out for formal consultation and received support from the presidents, employee representative groups, student associations and campus leadership groups. All comments received from the consultation were taken into consideration.

**Scheduled Presenter(s):**

Laura M. King, Vice Chancellor - CFO

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

*Second Reading*

**BOARD ACTION**

**Proposed Amendments to Board Policy 7.1 Finance and Administrative Authority  
of Board, Chancellor and Presidents  
(Second Reading)**

**BACKGROUND**

Board Policy 7.1, Financial and Administrative Authority, was adopted by the Board of Trustees and became effective June 10, 2000. The policy was last reviewed on August 6, 2009 and no changes were made. Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies. Staff reviewed Policy 7.1 this fall.

**PROPOSED AMENDMENTS**

The proposed amendments to Policy 7.1 are reflected in the track-change copy of the policy on the following page.

**REVIEW PROCESS**

The proposed board policy revision was circulated in accordance with procedures to all presidents, employee representative groups, student associations and campus leadership groups. The policy review was discussed with the Leadership Council. All comments received during the review process have been examined and responses sent.

The Finance and Facilities Committee recommends the Board of Trustees adopts the following motion:

**RECOMMENDED COMMITTEE ACTION:**

The Board of Trustees approves the changes to Board Policy 7.1 Financial and Administrative Authority.

**RECOMMENDED BOARD MOTION:**

The Board of Trustees approves the changes to Board Policy 7.1 Financial and Administrative Authority.

*Date Presented to the Board of Trustees: March 18, 2015*

*Date of Implementation: March 18, 2015*



## Minnesota State Colleges and Universities Board Policies Chapter 7 – General Finance Provisions

### 1 2 **7.1 Finance and Administrative Authority of Board, Chancellor and Presidents**

3 [Click here for a PDF copy of this policy](#)

4 **Part 1. Authority.** Pursuant to Minnesota Statutes § 136F.06, the Board of Trustees has  
5 authority to govern state colleges and universities and all related property and to develop policies  
6 to implement the board's authority. The referenced statute further states that to the extent  
7 practicable in protecting statewide interests, the board is charged with providing autonomy to the  
8 colleges and universities and holding the colleges and universities accountable for the decisions  
9 made.

10

11 Minnesota Statutes §136F.05 charges the board with efficient use of facilities and staff so that  
12 students benefit through improved and broader course offerings, ease of transfer among [colleges](#)  
13 [and universities](#) ~~schools~~ and programs, integrated course credit, coordinated degree programs  
14 and coordinated financial aid. Effective implementation of these objectives requires a high  
15 degree of coordination and integration of administrative and student support systems at all  
16 colleges and universities.

17

18 All financial and administrative policies are in support of the Minnesota State College and  
19 ~~University's Universities'~~ educational mission. ~~The Board's Policy 1A3 part 4 of Trustees~~  
20 delegates authority to the chancellor to develop procedures and guidelines which implement the  
21 board's policies for the administrative and financial management of the system, including all  
22 colleges and universities. There shall be a high degree of coordination and integration of  
23 administrative and student support information systems, procedures and processes across all  
24 colleges and universities for purposes of achieving uniform and efficient student services and in  
25 demonstrating serious commitment to sound stewardship over state resources. Procedures and  
26 guidelines shall support these objectives through consistent business and administrative practices  
27 that assure the highest possible quality of administrative student services, data integrity and the  
28 efficient use of the system's information technology resources.

29

30 Subject to the above stated objectives covering administrative and student support systems and  
31 processes, the ~~Board's board's~~ policies and the system procedures shall allow the colleges and  
32 universities ~~s~~ufficient autonomy to administer the resources under their control to achieve their  
33 mission and the expectation of accountability for their decisions.

34

35 **Part 2. Responsibilities.** The chancellor shall periodically advise the ~~Board-board~~ of the  
36 administrative and financial management performance of the system, system office, colleges and

37 universities. The chancellor is responsible for periodic communications, reporting, and oversight  
38 of the presidents.

39  
40 Presidents shall have the authority, responsibility and accountability to administer their colleges  
41 and universities in accordance with board policies, delegation from the chancellor, system  
42 procedures, and federal, state and local laws and regulations. The president of each college and  
43 university is responsible for developing and maintaining conforming and compliant  
44 college/university-wide administrative, financial, and facilities management procedures in  
45 consultation with students, faculty, staff and recognized organizations for faculty, students, and  
46 staff.

47  
48 **Part 3. Public Information.** All data will be handled in accordance with *Minnesota Statutes*  
49 *Chapter 13*, the Minnesota Government Data practices Act, or other applicable law.

50  
51 **Part 4. Accountability/Reporting.** The chancellor is accountable for administrative and  
52 financial management of the colleges, universities and system office as delegated by the **Board**  
53 **board** and for oversight of the activities of all colleges and universities. The presidents are  
54 accountable for administrative and financial management of the colleges and universities as  
55 delegated by the chancellor. Internal and external audits (~~Office of the Legislative Auditor and~~  
56 ~~private~~),<sup>2</sup> will be conducted ~~to determine if the chancellor and presidents are maintaining~~  
57 ~~appropriate controls~~ in accordance with the audit committee's direction. The board will be  
58 advised of the financial status of the system through reports to the board and as the results of  
59 audits.

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61  
62 *Date of Adoption:* 09/20/95,  
63 *Date of Implementation:* 09/20/95,

64  
65 *Date and Subject of Revision:*

66 11/16/11 - Effective 1/1/12, the Board of Trustees amends all board policies to change the  
67 term "Office of the Chancellor" to "system office," and to make necessary related  
68 grammatical changes.

69 06/21/06 - amended Part 1 to include Minnesota Statutes § 136F.05, and includes language  
70 regarding the administrative and student support information systems. Amends Part 4  
71 clarifying that the chancellor is accountable for the oversight of the activities of all  
72 colleges and universities. And other technical changes.

73 06/18/03 - deletes reference to "MnSCU", changes "system office" to "office of the  
74 chancellor", deletes approval of annual work plan

75 06/21/00 - Amends language in Part 1 and Part 2, Subpart A; Adds Parts 3 and 4.

76

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** Metropolitan State University WebWOC Contract Exceeding \$1 Million Dollars

**Purpose (check one):**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

**Brief Description:**

Board Policy 5.14, Procurement and Contracts, requires prior approval by the Board of Trustees for contracts exceeding \$1,000,000. The proposed action item is for Board approval of a professional/technical services contract estimated to total \$7,101,532 effective April 01, 2015 through December 31, 2017 with two (2) one-year options to renew. The total cost of \$7,101,532 includes the two (2) one-year extensions; the base contract cost for April 1, 2015 through December 31, 2017 is \$3,887,868.

**Scheduled Presenter(s):**

Laura M. King, Vice Chancellor – CFO

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD ACTION**

**Metropolitan State University  
WebWOC Contract Exceeding \$1 Million Dollars**

**BACKGROUND**

Board Policy 5.14, Procurement and Contracts, requires prior approval by the Board of Trustees for contracts exceeding \$1,000,000. The proposed action item is for Board approval of a professional/technical services contract estimated to total \$7,101,532 effective April 01, 2015 through December 31, 2017 with two (2) one-year options to renew. The total cost of \$7,101,532 includes the two (2) one-year extensions; the base contract cost for April 1, 2015 through December 31, 2017 is \$3,887,868.

Since 2001, Metropolitan State University has engaged in a contractual relationship with Bryant Rolstad Consultants, LLC to educate Wound, Ostomy and Continence (WOC) nursing students through the Web. WOC Nursing is a specialty dedicated to the care of patients with a wound or ulcer, ostomy and bowel or bladder incontinence. The webWOC Nursing Education Program at Metropolitan State University premiered in the summer of 2001.

A request for proposal was published in the State Register on April 23, 2014, with one respondent (Bryant Rolstad Consultants, LLC), resulting in Metropolitan State University's selection of the respondent. The current contract with Bryant Rolstad Consultants, LLC, ends on March 31, 2015. This request for approval will include a new agreement commencing April 1, 2015 with a two (2) year, nine (9) month performance period ending December 31, 2017; and two (2) one-year options to renew. According to the terms of this proposed contract, the contractor is paid 85% of the tuition collected from the students. The University keeps the remaining 15% for the administration of the program. Since the inception of the program, the number of enrolled students significantly exceeded the expectations and has grown from 35 students in 2002 to 270 students in 2015.

It is advantageous to retain the contract with Bryant Rolstad Consultants, LLC, as they are an established program that has a strong national reputation for its high quality. The university undertook an internal analysis last year and concluded that continued offering of this program through a contractual relationship made the most academic and financial sense for the university.

**RECOMMENDED COMMITTEE ACTION:**

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees authorizes the chancellor or his designee to execute a contract with Bryant Rolstad Consultants, LLC at a maximum total obligation not to exceed \$7,101,532.

**RECOMMENDED BOARD OF TRUSTEES MOTION**

The Board of Trustees authorizes the chancellor or his designee to execute a contract with Bryant Rolstad Consultants, LLC at a maximum total obligation not to exceed \$7,101,532.

*Date Presented to the Board: March 18, 2015*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** Online Support Center Contract Exceeding \$1 Million Dollars

**Purpose (check one):**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

**Brief Description:**

Since 2006, the system office has had an agreement with Distance Minnesota to provide online student support. The proposed action item is for board approval to execute a new intra-agency agreement between the system office and Northwest Technical College as fiscal agent for Distance Minnesota. The new intra-agency agreement will be reviewed by the Academic and Student Affairs Technology Council, an advisory committee comprised of representative faculty, students, and administration.

The proposed agreement has a term of five years ending June 30, 2020 at an estimated total of \$3,750,000. The cost of the agreement is paid by the per credit assessment of \$4.50/credit charged to the institutions for each online course.

**Scheduled Presenter(s):**

Laura M. King, Vice Chancellor - CFO



**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>BOARD ACTION</b>
<b>Online Support Center Contract Exceeding \$1 Million Dollars</b>

**BACKGROUND**

Board Policy 5.14, Procurement and Contracts, requires that contracts, including amendments, with values greater than \$1,000,000, must be approved in advance by the Board of Trustees.

Since 2006, the system office has had an agreement with Distance Minnesota to provide online student support. The proposed action item is for board approval to execute a new intra-agency agreement between the system office and Northwest Technical College as fiscal agent for Distance Minnesota.

The new agreement will continue past services, including the costs of staffing to provide future and current students online/phone support with extended hours through weekends and evenings. This support includes e-advising, coaching, distance-credentialed counseling services, technical assistance for online system tools, and timely campus referrals. It also covers enhanced access to self-service online resources, individualized student relationship management, and operational support for marketing and equipment/licensing maintenance.

The programs and services in this agreement are developed by the partner colleges of Distance Minnesota, a regional collaborative of system colleges which offers online learning experiences and related support services. Partner colleges include Alexandria Technical and Community College, Northland Community and Technical College and Northwest Technical College.

The new intra-agency agreement will be reviewed by the Academic and Student Affairs Technology Council, an advisory committee comprised of representative faculty, students, and administration.

The proposed agreement has a term of five years ending June 30, 2020 at an estimated total of \$3,750,000. The cost of the agreement is paid by the per credit assessment of \$4.50/credit charged to the institutions for each online course.

**RECOMMENDED COMMITTEE ACTION:**

The Finance and Facilities Committee recommends that the Board of Trustees authorizes the chancellor or his designee to execute an intra-agency agreement with a 5-year term ending June 30, 2020 for a maximum total cost not to exceed \$3,750,000. The board directs the chancellor or his designee to execute all necessary documents.

**RECOMMENDED BOARD OF TRUSTEES ACTION:**

The Board of Trustees authorizes the chancellor or his designee to execute an intra-agency agreement with a 5-year term ending June 30, 2020 for a maximum total cost not to exceed \$3,750,000. The board directs the chancellor or his designee to execute all necessary documents.

*Date Presented to the Board of Trustees: March 18, 2015*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** Smarthinking Contract Exceeding \$1 Million Dollars

**Purpose (check one):**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

**Brief Description:**

The proposed action item is for board approval to extend the vendor agreement with Smarthinking. The current amendment has a cumulative total of \$1,209,708 through August 31, 2015. The proposed amendment would add one year and \$200,000 to the contract.

The agreement with Smarthinking provides all of the Minnesota State Colleges and Universities with live, on-demand online tutoring available 24/7 in a wide variety of subject areas. This service includes ESL writing specialists and bilingual math tutors.

**Scheduled Presenter(s):**

Laura M. King, Vice Chancellor - CFO

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>BOARD ACTION</b>
<b>Smarthinking Contract Exceeding \$1 Million Dollars</b>

**BACKGROUND**

Board Policy 5.14, Procurement and Contracts, requires that contracts, including amendments, with total value greater than \$1,000,000 must be approved in advance by the Board of Trustees.

The proposed action item is for board approval to extend the vendor agreement with Smarthinking. The current contract has a cumulative total of \$1,209,708 through August 31, 2015.

The agreement with Smarthinking provides all of the Minnesota State Colleges and Universities with live, on-demand online tutoring available 24/7 in a wide variety of subject areas. This service includes ESL writing specialists and bilingual math tutors.

The system office issued a request for proposal in 2011. The contract was awarded to Smarthinking with a 3 to 5 year term. The change in board policy results in board approval required in order to execute the 5<sup>th</sup> year of this term at an estimated cost of \$175,000 to 200,000. Staff will undertake a new request for proposal process in the upcoming year.

The cost of the agreement is paid by the per credit assessment of \$4.50/credit charged to the institutions for each online course.

**RECOMMENDED COMMITTEE ACTION**

The Finance and Facilities Committee recommends that the Board of Trustees approves extending the current agreement until August 31, 2016 at a maximum total cost not to exceed \$1,409,712. The board directs the chancellor or his designee to execute all necessary documents.

**RECOMMENDED BOARD OF TRUSTEES ACTION**

The Board of Trustees approve extending the current agreement until August 31, 2016 at a maximum total cost not to exceed \$1,409,712. The board directs the chancellor or his designee to execute all necessary documents.

*Date Presented to the Board of Trustees: March 18, 2015*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** ITS Management Contract Exceeding \$1 Million Dollars

**Purpose (check one):**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

**Brief Description:**

Minnesota State Colleges and Universities have collaborated to select an Information Technology Service Management (ITSM) Tool and implementation vendor. This will enhance the current Information Technology support services provided to the students, faculty, and staff through sharing of knowledge, increased incident response and resolution, problem management and reporting. An RFP was issued on June 16, 2014 and ten (10) responses were evaluated. Total consideration for the contract will likely not exceed \$6,000,000, which requires approval by the Board of Trustees pursuant to Board Policy 5.14.

**Scheduled Presenter(s):**

- Ramon Padilla, Jr., Vice Chancellor and Chief Information Officer, Minnesota State Colleges and Universities
- Ross Berndt, Associate Vice Chancellor, Infrastructure and Operations, Minnesota State Colleges and Universities

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>BOARD ACTION</b>
ITS Management Contract Exceeding \$1 Million Dollars

**BACKGROUND**

Minnesota State Colleges and Universities have collaborated to procure and implement an Information Technology Service Management (ITSM) tool that can enhance the current Information Technology (IT) support services provided to the students, faculty, and staff through sharing of knowledge, increased incident response and resolution, problem management and reporting. An RFP was issued on June 16, 2014 and ten (10) responses were evaluated.

The ITSM RFP Evaluation team consisted of two chief information officers, a chief operating officer, a director, security specialists, and other IT professionals. The two college, two university and five system office representatives evaluated ten (10) responders resulting in the final selection of Beyond20 as the implementation vendor and Cherwell software as the ITSM tool. The vendor will work with the system office and colleges to identify core common business processes to support effective and efficient delivery of IT services. The vendor will implement incident management, problem management, request fulfillment, knowledge management, and change management modules to enhance services to students, faculty, and staff while sharing knowledge in the ever-evolving business and IT landscapes.

The administration is seeking approval to enter into a master contract for Cherwell Service Management (CSM) licenses and support of the implantation vendor BEYOND20, which are used for information technology service management (ITSM). Total consideration for the seven year contract is not expected to exceed \$6 million, which requires approval by the Board of Trustees pursuant to Board Policy 5.14.

The vendor will be engaged through a master contract which will enable each college and university to purchases software, services, and support customized to their environment. Each college/university will pay for the services it requests.

**RECOMMENDED COMMITTEE MOTION:**

The Finance and Facilities Committee recommends that the Board of Trustees authorizes the following motion:

The Finance and Facilities committee recommends that the Board of Trustees approves entering into a contract with BEYOND20 with the term of seven years, at a cost not to exceed \$6,000,000. The board authorizes the chancellor or his designee to execute all necessary documents.

**RECOMMENDED BOARD MOTION:**

The Board of Trustees approves entering into a contract with BEYOND20 with the term of seven years, at a cost not to exceed \$6,000,000. The board authorizes the chancellor or his designee to execute all necessary documents.

*Date of Adoption: March 18, 2015*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** Bemidji State University Property Management Contract Exceeding \$1Million Dollars

**Purpose (check one):**

Proposed  
New Policy or  
Amendment to  
Existing Policy

Approvals  
Required by  
Policy

Other  
Approvals

Monitoring /  
Compliance

Information

**Brief Description:**

The Board of Trustees is asked to approve Bemidji State University entering into a property management agreement to operate a 56-bed apartment building near the Bemidji State campus. The apartments are being constructed by a private developer. The agreement will be 5 years in term and is expected to flow as much \$400,000 - \$500,000 per year through the university's accounts or roughly \$2-\$2.5 million over the agreement term. The property management agreement involves funds in excess of \$1 million, requiring approval pursuant to Policy 5.14, *Contracts and Procurement*.

**Scheduled Presenter(s):**

Brian Yolitz, Associate Vice Chancellor for Facilities

Bill Maki, Vice President



**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD ACTION**

**Bemidji State University  
Property Management Contract Exceeding \$1 Million Dollars**

**PURPOSE**

To gain Board of Trustees approval for Bemidji State University to enter into a property management agreement with JT Properties LLC, which will construct a new, 56-bed apartment facility near campus. The property management agreement involves funds in excess of \$1 million, requiring approval pursuant to Policy 5.14, *Contracts and Procurement*.

**BACKGROUND**

In February 2012, Bemidji State University commissioned a student housing needs assessment to evaluate on-campus housing. One of the study's conclusions was that Bemidji State University appeared to have an oversupply of dormitory-style rooms in its existing housing stock, and would benefit from housing that would better meet the needs of upperclass and graduate students. The study conclusion also suggested that the local market could support approximately 50 units of apartment style student housing on or near campus.

**OPPORTUNITY**

Developers entered into negotiations to acquire an 11 acre parcel owned by the Bemidji State University Foundation approximately 2 years ago. The developer, aware of the university's housing study work, approached university leadership about constructing a multi-phase "University Heights" development that includes a component of student housing. After significant discussions, the developer proposed building a 56 bed apartment project at its cost and offer the university the opportunity to enter into a property management agreement to operate the facility as part of the university's student housing program. The project includes a blend of 3 and 4 bedroom units, including all appliances and laundry amenities. Rents are anticipated to be \$750 per month/\$9,000 annually per bed, all inclusive. Once complete, the university would operate the facility as part of the university's student housing program under the terms of the property management agreement. A site plan, exterior elevation, and representative floor plans are shown as **Attachment A**.

Under the current proposal, the university would operate the apartments just like a typical residential hall, receiving room payments and, after paying its appropriate operating costs and overhead, remitting the remainder of the payments to the developer. The university is not entering into a master lease nor guaranteeing the rent, revenue yields, or occupancy rates of this development.

Construction and operating funding for the project is the sole responsibility of the developer. The university will enter into a 5 year property management agreement with the developer upon completion of the apartment construction.

The university has examined the impact of this project on its residential life program, and remains confident that the scope and nature of this project will better meet the needs of the students and offer another residential product type to market to prospective and existing students.

The developer plans to bid the construction this spring and open for occupancy in the summer of 2016 for fall term. Per board policy, students at Bemidji State have been consulted and endorse this project.

### **OUTSTANDING ISSUES**

The developer has not finalized construction financing.

### **RECOMMENDED COMMITTEE ACTION:**

The Facilities/Finance Committee recommends that Board of Trustees adopt the following motion:

The Board of Trustees approves Bemidji State University entering into the 5-year property management agreement valued at approximately \$6 million over the agreement term for student housing facilities constructed and owned by a local developer. The board also authorizes the chancellor or his designee to finalize negotiations and execute a property management agreement with the developer.

### **RECOMMENDED MOTION:**

The Board of Trustees approves Bemidji State University entering into the 5-year property management agreement valued at approximately \$6 million over the agreement term for student housing facilities constructed and owned by a local developer. The board also authorizes the chancellor or his designee to finalize negotiations and execute a property management agreement with the developer.



Figure 1: Project Site Plan



Figure 2: Project Elevation

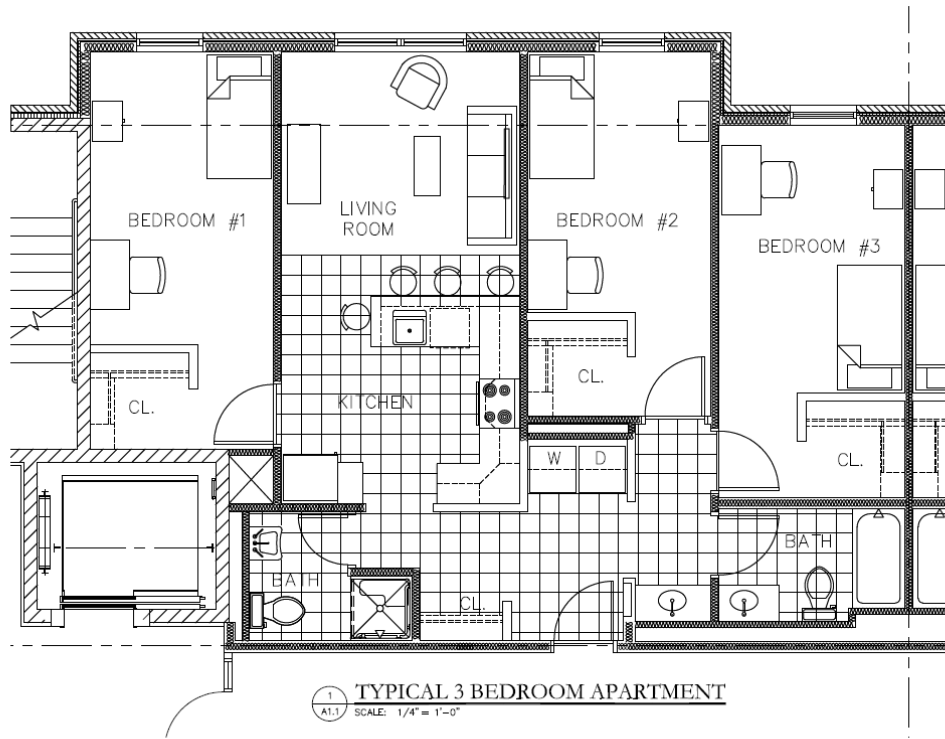


Figure 3: Proposed 3 Bedroom Apartment

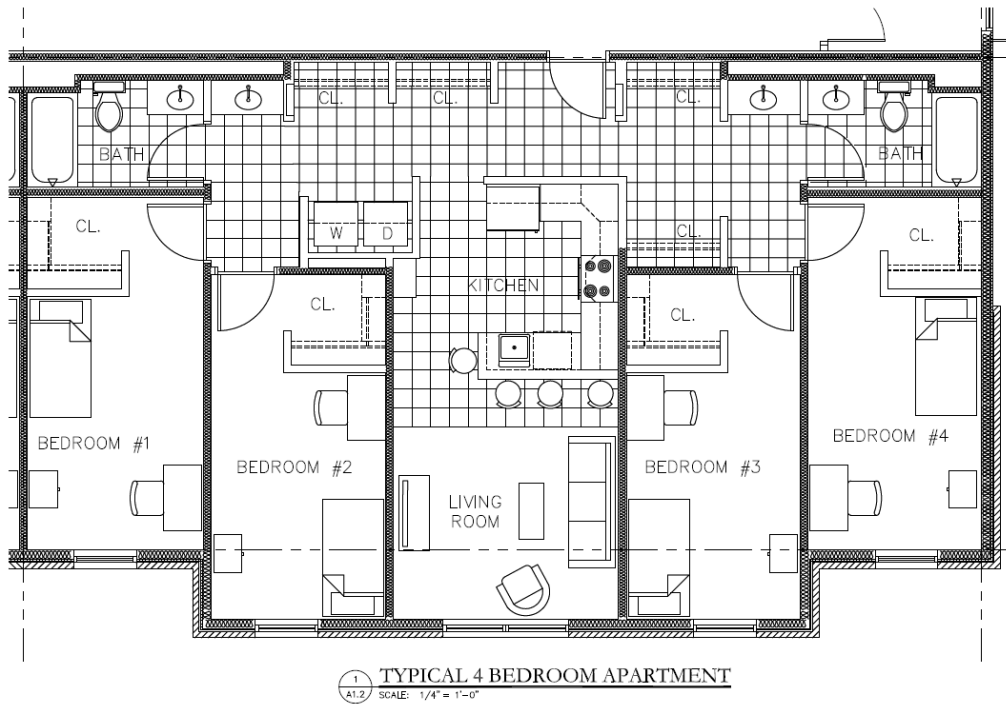


Figure 4: Proposed 4 Bedroom Apartment  
 Date Presented to the Board: March 18, 2015

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** Winona State University Building Gift

**Purpose (check one):**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

**Brief Description:**

The Board of Trustees is asked to approve a gift of real property, known as the Laird Norton Building, in Winona, Minnesota on behalf of Winona State University. Board approval is required consistent with Policy 7.7, *Gift and Grants Acceptance*.

**Scheduled Presenter(s):**

Brian Yolitz, Associate Vice Chancellor for Facilities  
Scott Olson, President, Winona State University

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD ACTION**

**Winona State University Building Gift**

**PURPOSE**

To obtain Board of Trustees approval of a real property donation of the Laird Norton Building and land, located at 125 West Fifth Street, Winona, Minnesota, consistent with Policy 7.7, *Gift and Grants Acceptance*.

**BACKGROUND**

Winona State University was approached about a donation of a building, known as the Laird Norton Building, 125 West Fifth Street, Winona. The Laird, Norton Co., one of the lumber firms which dominated Winona’s riverfront, built and operated this building as its headquarters since 1917, and desired to donate the facility to the university for educational and public purposes. Property orientation to Winona State University and exterior views are at **Attachment 1**. Select interior elements are at **Attachment 2**. Proposed floor plans are at **Attachment 3**.

**KEY TERMS OF THE DONATION**

The building (30,070 gross square feet) and underlying property (approximately 0.38 acres) is being donated to the Minnesota State Colleges and Universities system for Winona State University’s benefit, along with \$165,000 cash to assist in the abatement of asbestos within the facility. The donor has made two conditions to the donation:

1. Winona State University will maintain the building in a manner consistent with its status on the National Register of Historic Places
2. The building will maintain “Laird Norton” in its name. The current proposed name is “Laird Norton Center for the Arts and Design”

The appraised value of the property is \$700,000. The current county assessed value for the property is \$523,900.

**KEY INVESTIGATIONS**

The donor and university completed several investigations related to the building’s condition, both architectural and environmental, which included a hazardous building materials assessment, evaluating the status of asbestos, and the evaluation of the presence of hazardous and special waste materials such as lead paint in the building. The donor and/or university have completed the hazardous building materials assessment report, Phase I and Phase II

environmental site assessments, and secured petroleum tank release site closure letter from the Minnesota Pollution Control Agency.

A building assessment was conducted to determine the functional and building code compliance of the building. In addition, a utility, mechanical and electrical system assessment was done to assess system efficiency. Based on these evaluations, the consultants have identified approximately \$1.3 million worth of work to bring the facility up to current code.

### **NATIONAL REGISTER OF HISTORIC PLACES**

The Laird Norton building was listed on the National Register of Historic Places on July 11, 2014 (#14000391). The designation was in recognition of the significant place the building has in American history, architecture, archeology, engineering, and culture. Owners of properties on the National Register can do whatever they want with the property as long as there are no federal monies attached to the property. However, before this occurs, the property owner should contact the state historic preservation office (SHPO). If federal monies are attached to the property then any changes to the property have to allow the Advisory Council on Historic Preservation to comment on the project.

Reflecting the historical and cultural significance the building has in the region, the parties agreed to a historic covenant wherein the university and Laird Norton LLC agree that the property will be used primarily for university and educational purposes, which may include public use and community events as long as these activities do not adversely impact the historic designation of the facility.

### **UNIVERSITY'S USE AND FINANCING OF THE BUILDING**

The university intends to use the facility in the immediate term to house offices and studios for the Department of Art and Graphic Design, and to house galleries for the exhibition of student and faculty art and art owned by the WSU Foundation. Proposed floor plans are at **Attachment 3**. Long range, the university expects to use this as showcase space and for art exhibits.

The university intends to abate asbestos around piping, and floor and ceiling tiles and make initial work to bring the building up to the expected occupancy standards for university use. This work includes:

- Asbestos abatement
- Boiler replacement
- New elevator and new entrance ramp
- Additional fire suppression capabilities
- Upgrades to information technology networks and lighting

The estimated cost of this work is \$1.3 million. The estimated annual operating expense, to include custodial and maintenance staff, utilities, annual R&R, and service contracts is \$150,000. The university has \$2.0 million in general fund resources set aside. In addition, the Winona State Foundation has committed to providing \$1 million to defray future costs of operations and maintenance of the building, future capital investment needs, and to support special initiatives associated with the building and its programs. A letter from the Winona State University Student Senate supporting the gift of the Laird Norton Building to Winona State University is at **Attachment 4**.

**RECOMMENDED COMMITTEE ACTION:**

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees formally accepts the Laird Norton Building and related land, located at 125 West Fifth Street, Winona, under the terms as documented in this report. The board further directs the chancellor or the chancellor's designee to execute any necessary documentation to accomplish the transfer to the system on behalf of Winona State University.

**RECOMMENDED BOARD OF TRUSTEES MOTION:**

The Board of Trustees formally accepts the Laird Norton Building and related land, located at 125 West Fifth Street, Winona, under the terms as documented in this report. The board further directs the chancellor or the chancellor's designee to execute any necessary documentation to accomplish the transfer to the system on behalf of Winona State University.

Date presented to the Board of Trustees: March 18, 2015



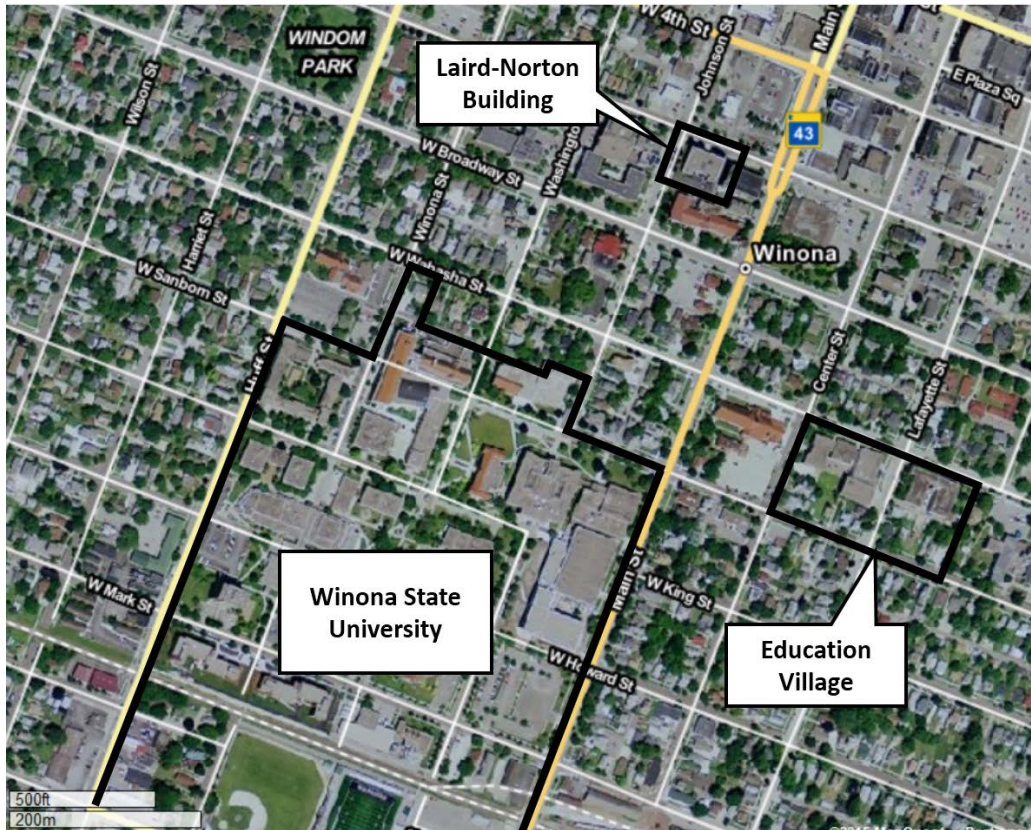


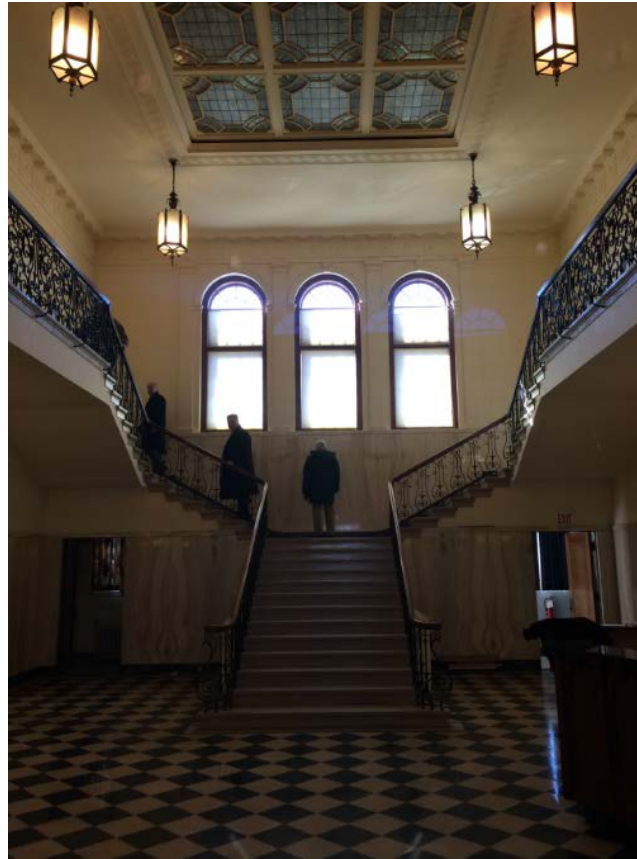
Figure 1 – Site Plan: Laird Norton Building, 125 West Fifth Street, Winona, Minnesota



Figure 2 – Front View: Laird Norton Building, 125 West Fifth Street, Winona, Minnesota



Figure 3 – Side View: Laird Norton Building, along Johnson St. Winona, Minnesota



Figures 4 – Main Lobby, looking south



Figures 5 – Main Lobby, looking north



Figure 6 – Interior elements: Ceilings



Figure 7 – Interior elements: Light fixtures

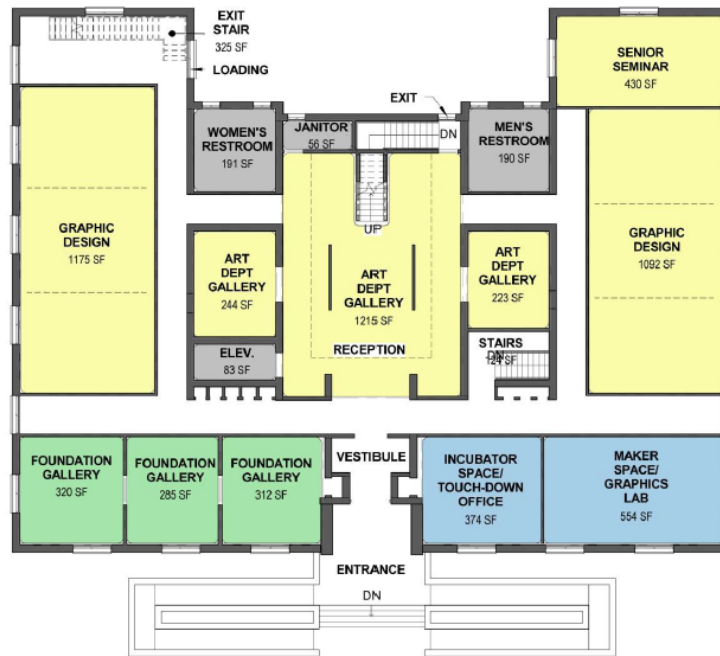


Figure 8 – Proposed Floorplan: First (Main) Floor

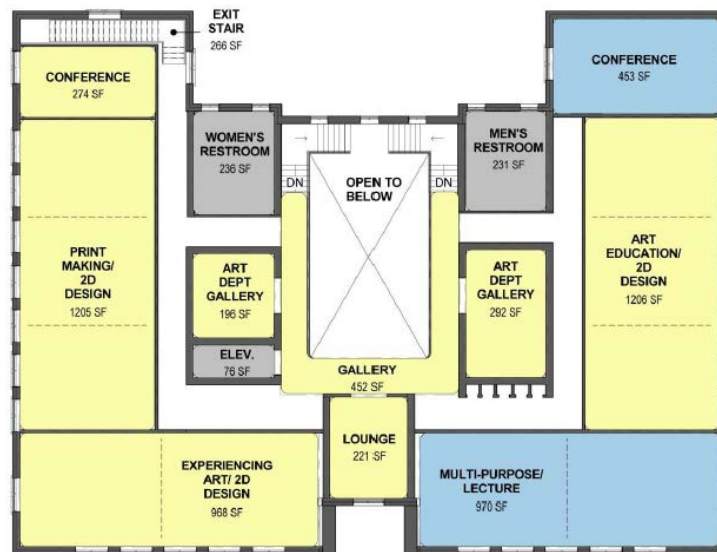


Figure 9 – Proposed Floorplan: Second (Upper) Floor

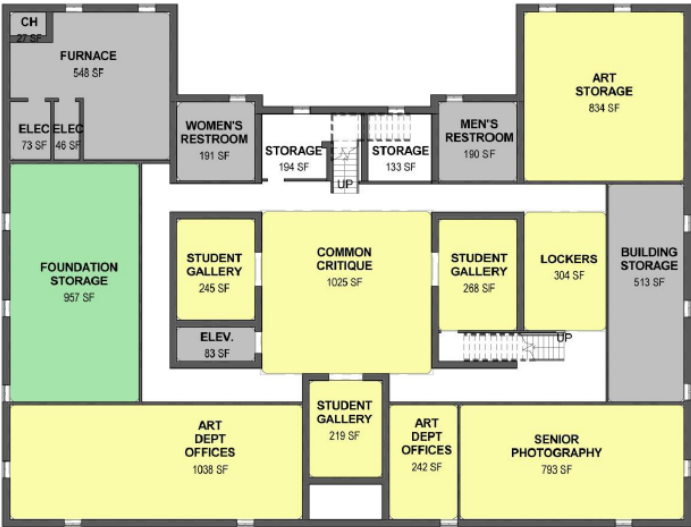


Figure 10 – Proposed Floorplan: Lower Floor



February 24, 2015

Chancellor Steven Rosenstone  
Minnesota State Colleges and Universities  
30 East Seventh Street, Suite 350  
Saint Paul, MN 55101

Chancellor Rosenstone & Board of Trustees,

I am writing this letter in regard to the donation of a building from the Laird Norton Foundation to Winona State University. The Winona State University Student Senate has been properly informed and consulted about the acquisition of the historic Laird Norton Building and accompanying gift of \$165,000; the body passed the following motion on February 12, 2015:

*Whereas, the Student Senate is the official voice for all students at Winona State University.*

*Whereas, the Laird Norton Building is an exciting gift and opportunity for Winona State University.*

*Be it resolved that Winona State University Student Senate (WSUSS) supports the gift of the Laird Norton Building to Winona State University.*

The Laird Norton Building will greatly benefit Winona State University by providing additional space for offices and classrooms displaced by the construction of the Education Village in Wabasha Hall. The building will also provide WSU with art gallery space, as well as community space for the greater Winona area. Finally, WSU students will not experience any tuition or fee increases to cover the maintenance costs of the Laird Norton Building. For these reasons, the Student Senate unanimously supports the acceptance of this gift, and is optimistic for its approval by the Board of Trustees.

Sincerely,

A handwritten signature in black ink that reads 'Jessica Hepinstall'.

Jessica Hepinstall  
President, Winona State Student Senate

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Ramon Padilla, Jr.

**Date:** March 17, 2015

**Title:** Rental Agreement with University of Minnesota Exceeding \$1 Million Dollars

**Purpose (check one):**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

**Brief Description:**

The system office seeks approval to execute a new lease agreement with the University of Minnesota for rack space in the University of Minnesota's West Bank Office Building data center. Total consideration for the contract is not expected to exceed \$1.5 million, which requires approval by the Board of Trustees pursuant to *Board Policy 5.14 Contracts and Procurements*.

**Scheduled Presenter(s):**

Brian Yolitz, Associate Vice Chancellor for Facilities  
Ramon Padilla, Jr., Vice Chancellor and Chief Information Officer, Minnesota State Colleges and Universities



**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>BOARD ACTION</b>
<b>Rental Agreement with the University of Minnesota Exceeding \$1 Million Dollars</b>

**BACKGROUND:** Minnesota State Colleges and Universities (MnSCU) system office information technology services and facilities divisions have contracted with the University of Minnesota to utilize rack space for operating a data center at the West Bank Office Building in Minneapolis. This location houses Minnesota State Colleges and Universities enterprise applications. MnSCU has been leasing space from the University of Minnesota at this location since 2005. The system office seeks approval to execute a new lease agreement with the University of Minnesota for rack space in the University of Minnesota’s West Bank Office Building data center. Total consideration for the contract is not expected to exceed \$1.5 million, which requires approval by the Board of Trustees pursuant to Board Policy 5.14 Contracts and Procurements.

The system office utilizes this data center as either a primary or secondary hosting facility for enterprise wide applications, and it is an integral part of business continuity and disaster recovery plans for enterprise applications, including Desire 2 Learn (D2L) and the Integrated Student Record System (ISRS). This data center leverages a relationship between the system office and the University of Minnesota. The cost of utilizing rack space at the University of Minnesota’s data center is very reasonable when considering level of hosting facility, need size, and services.

**RECOMMENDED COMMITTEE ACTION:**

The Finance and Facilities committee recommends the Board of Trustees authorizes a five (5) year agreement through October 31, 2019 with the University of Minnesota at a total cost not to exceed \$1.5 million. The chancellor or his designee is authorized to execute all necessary documents.

**RECOMMENDED BOARD MOTION:**

The Board of Trustees authorizes a five (5) year agreement through October 31, 2019 with the University of Minnesota at a total cost not to exceed \$1.5 million. The chancellor or his designee is authorized to execute all necessary documents.

*Date Presented to the Board of Trustees: March 18, 2015*

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** March 17, 2015

**Title:** System Financial Resiliency Framework

**Purpose (check one):**

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input checked="" type="checkbox"/> Monitoring /<br>Compliance                        | <input type="checkbox"/> Information                        |   |

**Brief Description:**

This item is a follow up to the January committee discussions concerning the financial condition of colleges and universities. The presentation will review the Financial Resiliency Framework and outline the oversight of colleges and universities.

**Scheduled Presenter(s):**

Laura M. King Vice Chancellor – CFO  
Earl Potter, President St Cloud State University  
Tammy McGee, Vice President – CFO  
Devinder Malhotra, President Metropolitan State University  
Murtuza Siddiqui, Vice President - CFO  
Dorothy Duran, President, Minnesota State College – Southeast Technical  
Mike Kroening – Vice President - CFO

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

<b>INFORMATION ITEM</b>
<b>System Financial Resiliency Framework</b>

**BACKGROUND**

Minnesota State Colleges and Universities experienced rapid enrollment growth between fiscal years 2006 and 2011. The record-setting enrollment growth was driven in large part by the economic recession and high levels of unemployment that drove many young people as well as adult learners to our colleges and universities to upgrade their skills or learn a new profession. Between 2006 and 2011, the system’s enrollment expanded 18 percent to 157,903 full-year equivalent (FYE) students. Since 2011, enrollment has declined and is projected to be 138,657 FYE in fiscal year 2015, slightly lower than 2008 enrollment levels but still 3.3 percent above 2006 levels.

Minnesota’s strong economy and improved employment outlook, along with declines in the number of high school graduates and those 18-34 years old, have contributed to the declining enrollment levels which mirror national trends.

**MANAGEMENT STRATEGIC ACTIONS**

Colleges and universities have a number of short-and-long term tools and strategies available to plan for and adjust for these enrollment fluctuations. Further, the work of campus and system strategic planning is focused directly at the longer term remedies for this risk. Short- term strategies include focus on cost containment including operating cost reductions and staff and faculty adjustments. Colleges and universities have moved quickly to respond to revenue shortfalls with both temporary and permanent cost reductions. Longer term strategies are directed at improvements to enrollment levels, student retention and new revenue generation methods including customized training and continuing education program growth and efforts to increase grant attainment.

Our colleges and universities are not pursuing some strategies seen in a general business environment. We are not considering the closing of campuses or major labor cost structure changes.

**ADVENT OF THE COMPOSITE FINANCIAL INDEX**

Each of our colleges and universities is separately accredited by the Higher Learning Commission (HLC). In 2007, the HLC instituted a reporting requirement known as the Composite Financial Index (CFI). The commission established ranges for the index and triggers of financial performance that required heightened oversight and reporting. The CFI has many benefits for uniform,

comparable financial reporting and trend monitoring across various sized institutions with diverse revenue and expense profiles. Its advent has also moved reporting into an accrual methodology which is newer to the public sector environment.

There are significant differences between cash based and accrual based reporting of results. At the system level, the bottom line changes close to \$100 million when cash statements are adjusted for accrual entries related to depreciation and accrued employee benefits. Consequently, colleges and universities may have adequate cash balances and negative accrual results. The challenge for the finance division and the college and university financial leadership is to recognize and respond to both cash and accrual results in the monitoring and reporting framework.

## **FINANCIAL RESILIENCY RESULTS**

At its June 2014 meeting, the Board of Trustees asked the Vice Chancellor of Finance and Facilities to evaluate each college and university's financial condition and ability to withstand enrollment declines. System office staff consulted with a group of campus chief financial officers (CFOs), researched measures, evaluated methodology, and analyzed data to create the "College and University Financial Resiliency" measurement instrument.

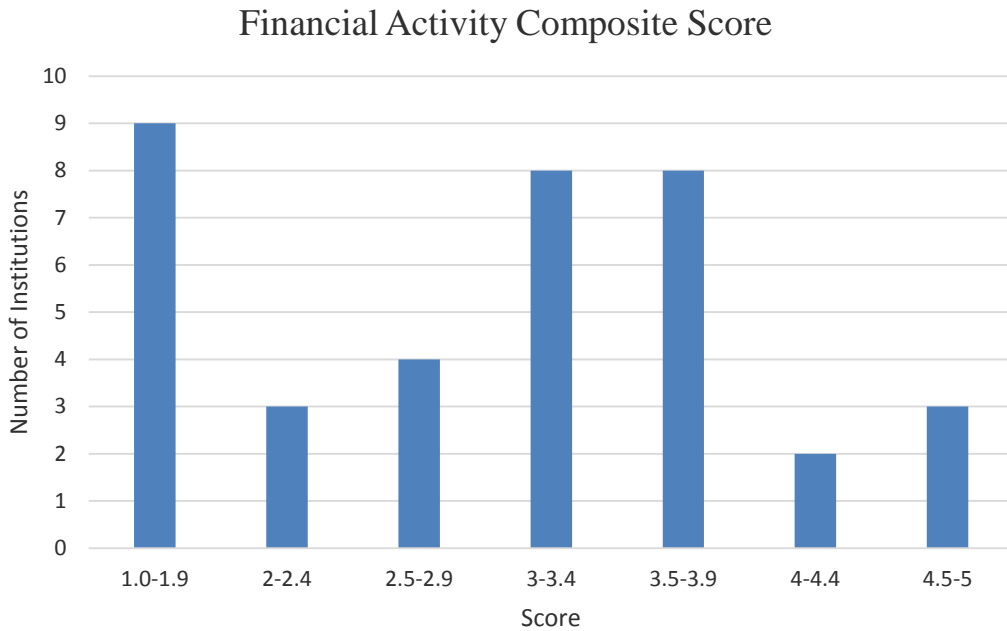
The financial resiliency framework was designed to measure the financial condition of colleges and universities and their capacity to withstand enrollment decline or other revenue or expense shocks. The financial measures address both balance sheet condition and income statement performance. The objective of the financial measures is to reflect both longer term financial capacity and shorter term results. The monitoring and reporting tools that have been developed recognize this tension and have accommodated it in their design.

The four financial measures include CFI, net income/loss, cash position, and change in unrestricted net assets. Colleges and universities were scored on a scale of one to five for each measure, with one being least resilient and five most resilient. The four financial measures were averaged to create the financial activity composite score. This composite score, with both balance sheet and income statement measures, evens out the impacts of short term events, and will become more meaningful as years of results are compared.

## **RESULTS**

- The financial activity composite score is the average of the four financial measures: CFI, net income/loss, cash position, and change in unrestricted net assets.
- The average financial activity composite score was 2.9 systemwide; the median score was 3.0.

- The colleges averaged 3.0 and the universities averaged 2.4. This reflects the college’s stronger CFI and net income/loss performance compared to the universities.



*Financial Activity Composite Summary Graph 1*

**FINANCIAL HEALTH INDICATORS**

The financial resiliency framework complements the financial health indicators specified in board policy 7.3.16. According to board policy, a college or university that does not meet certain financial performance thresholds is required to prepare a financial workout plan. As a result of the fiscal year 2014 financial results, eleven colleges and universities did not meet the threshold for CFI performance. Those institutions either had a CFI less than 1.5 based on a two-year moving average or a CFI score under 0.5 for fiscal year 2014. In fiscal year 2013, nine colleges and universities were required to submit financial recovery plans as a result of their low CFI scores.

Of the eleven colleges and universities that did not meet the threshold for CFI performance, seven had a financial activity composite score of less than 1.9 and the remaining four institutions had a score less than 2.9 for fiscal year 2014.

## **FINANCIAL RECOVERY PLAN REQUIREMENT**

The eleven institutions that did not meet the CFI threshold have submitted a written recovery plan to the system office. The plans include:

- detailed, measureable steps tied to a fiscal year
- the projected impact of the steps
- analysis of mid-year interim financial statements
- comparison of actual results against expected results
- narrative linking the plan to Higher Learning Commission criteria for accreditation

System office finance staff have reviewed the financial recovery plans and have met with leadership from several of the college and universities to discuss their plans, their underlying assumptions, and their implementation strategies. Several plans required revisions and additional follow-up. The chancellor has been briefed on the condition of these schools and is engaged with the presidents. System office finance staff will continue to monitor financial performance and adherence to plan.

## **ASSESSMENT OF COLLEGES AND UNIVERSITIES ON FINANCIAL RECOVERY PLANS**

Enrollment loss was the largest contributing factor to poor financial performance in fiscal year 2014. Other factors contributing to poor performance were the lag between budget shortfalls and the ability to implement budget decisions, and unanticipated environmental issues associated with a capital project. Transition in key campus leadership positions, especially the president, chief financial or academic officer, also played a role in the financial performance of some institutions.

The following section describes the issues contributing to the financial performance of colleges and universities required to submit financial recovery plans.

### **St. Cloud State University**

A CFI score of 0.07 in fiscal year 2014 triggered the financial recovery plan requirement for St. Cloud State University. The university reported a \$12.3 million operating loss in fiscal year 2014, accounting for 28 percent of the system's total operating losses. The budget shortfall was triggered by steep enrollment declines and a slow budgetary response to changing conditions. Enrollment has declined 17.3 percent since fiscal year 2011 and is expected to fall 5.1 percent in fiscal year 2015.

Lack of stability in financial and academic leadership positions over the past three years was also a contributing factor to its financial performance. St. Cloud State University accounts for 10.6 percent

of the system's budget; the significant financial challenges it faces has increased the risk to the overall system's financial health.

The university has submitted a 2015 plan which projects a fiscal year 2015 general fund operating deficit (on a cash basis) of \$8.5 million after \$4 million in budget reductions. The plan also calls for \$10 to \$12 million in additional reductions in fiscal year 2016; however, to achieve these savings the reductions would need to be implemented early in the fiscal year. Finance staff will continue to work with the university to achieve stronger 2015 and 2016 results.

The university has also launched program and service portfolio reviews, cost reduction, resource management strategies and enrollment development efforts. The program review effort is scheduled to be completed by May 2015 and is a crucial part of the risk management strategy for the university. Achievement of at least \$4 million in outlined reductions in fiscal year 2015 and the planning necessary to strategically reduce at least \$10-\$12 million in fiscal year 2016 are critical to reaching a stable financial outlook.

### **Metropolitan State University**

A CFI score of (0.08) for fiscal year 2014 triggered the financial recovery plan requirement. The university reported an operating loss of \$6.0 million dollars, accounting for 14 percent of the system's total operating losses last year. The operating loss was the result of an unanticipated environmental issue at a building construction site that required use of \$3.7 million in fund balance/reserves.

The university's CFI forecast for fiscal years 2015, 2016 and 2017 is made volatile by the very large capital construction spending moving through the calculations. The outlook includes acceptable CFI results in 2015 and 2016 and a dip below 1.0 in 2017 as the capital spending comes to completion. The preliminary recovery plan forecasts a \$6.5 million operating deficit (accrual basis) in fiscal year 2015, improving to a negative \$1.5 million in fiscal year 2016.

Metro State University's enrollment has been relatively stable compared to other universities. Its enrollment increased by 342 FYE between fiscal year 2011 and fiscal year 2014, one of the few institutions to show growth compared to the peak enrollment year of fiscal year 2011. Its enrollment is expected to decline one percent in fiscal year 2015. Continued attention to the academic and enrollment planning now underway should deliver on the planned results.

## **Minnesota State College – Southeast Technical**

A CFI score of (0.35) in fiscal year 2014 triggered the financial recovery plan requirement for Minnesota State College – Southeast Technical, the second consecutive year the college has been required to submit a plan. Steep enrollment declines and restructuring of their nursing program resulted in a \$1.8 million operating loss in fiscal year 2014, accounting for four percent of the system's operating losses last year. Enrollment has declined 19.6 percent since fiscal year 2011 and is expected to fall 10.4 percent in fiscal year 2015.

The fiscal years 2015, 2016 and 2017 CFI forecast returns finds the college returning to above 1.0 performance with an outlook for positive accrual based operating results by fiscal year 2019, a significant accomplishment. The college has committed to \$1 million in fiscal year 2015 operating budget reductions, with approximately 50 percent base level reductions. The college has made significant reductions and moved to a shared services arrangement with Winona State University for their human resources services. The success of their recovery plan is contingent upon enrollment growth in new/restructured programs. A concern for Minnesota State College – Southeast Technical is a low level of reserves/fund balance, leaving the college at risk for unexpected enrollment declines and other unexpected budget shortfalls.

### **Financial Recovery Plan Trends**

In addition to Minnesota State College–Southeast Technical, six other colleges were required to submit financial recovery plans due to low CFI scores: Hennepin Technical College, Hibbing Community College, Century College, Minneapolis Community and Technical College, Minnesota State Community and Technical College, and Mesabi Range College. These colleges had CFI scores ranging from 0.23 to 1.58, with all colleges reporting operating losses.

The largest contributing factor leading to poor financial performance at the colleges was enrollment loss. All six colleges recorded double digit enrollment declines between fiscal years 2011 and 2014, with enrollment losses ranging between from 11.2 percent to 17.2 percent.

In addition to St. Cloud State University and Metropolitan State University, Southwest Minnesota State University and Minnesota State University, Mankato were required to submit financial recovery plans due to low CFI scores. These universities had CFI scores of 0.19 and 1.21, respectively. Large debt/depreciation expenses contributed to the low CFI scores, with enrollment declines playing less of a factor.



## **CONCLUSION**

The financial resiliency framework has helped identify areas where the system is more resilient (cash position and net assets) and less resilient (net income/loss). It also highlights areas where more work could be done to support resiliency (enrollment projections). The resiliency scores correlate closely with other measures of financial health the system monitors, supporting the validity of those measures and the ability of the system to identify colleges and universities at financial risk.

Eleven colleges and universities have submitted financial recovery plans as a result of low CFI scores. These institutions also received low scores in the financial resiliency framework. The system office is currently working with colleges and universities who have submitted financial recovery plans and will monitor their financial performance against their plan.